

## Message Text

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17

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 XMB-07 RSC-01 DRC-01 /035 W

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R 230200Z MAY 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2440

AMCONSUL MEDAN

USDOC WASHDC

INFO AMCONSUL SURABAYA

AMCONGEN HONG KONG

UNCLAS JAKARTA 6334

DEPARTMENT FOR GEBER EA/ECP

COMMERCE FOR MEPD

EXIM FOR DOUG SMITH

HONG KONG FOR RAND

E.O. 11652: N/A

TAGS: BEXP, BTRA, ID

SUBJ: GRESIK CEMENT EXPANSION OPPORTUNITY

1. MORRISON-KNUDSEN INTERNATIONAL (MKI) AND KENNEDY VAN SAUN (KVS) A SUBSIDIARY OF MCNALLY PITTSBURGH INTERNATIONAL INC., HAVE FORMED A TEAM WHICH HAS SUBMITTED PROPOSAL TO P.T. SEMEN GRESIK FOR PLANNED 500,000 TON EXPANSION AND CONVERSION OF PRESENT CEMENT PLANT TO DRY PROCESS. ESTIMATED VALUE OF PROJECT IS \$50 MILLION. SOTION ARDJANGGI, PRESIDENT DIRECTOR OF GRESIK CEMENT, TRAVELED FROM SURABAYA TO JAKARTA SPECIFICALLY TO MEET WITH EXIM VICE PRESIDENT RAND DURING RAND'S VISIT APRIL 28-MAY 2 TO REVIEW EXIM FINANCING PROGRAMS IN CONNECTION WITH THIS PROPOSED EXPANSION. ASTON L. THURMAN, VICE PRESIDENT AND GENERAL MANAGER KVS HAS BEEN WORKING CLOSELY WITH SOTION AND CONSULTING WITH EMBASSY E/CM SECTION PARTICULARLY REGARDING FINANCING.

2. E/CM HAD RECOMMENDED THAT KVS AND MKI REQUEST EXIM PRELIMINARY COMMITMENT (PC) WHEN IT WAS LEARNED THAT  
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GOI WAS ALSO CONSIDERING IBRD FINANCING FOR EXPANSION

PROJECT. WE UNDERSTAND THAT FRED HUBER, MKI REP IN WASHINGTON, D.C., MET WITH EXIM DOUG SMITH TO REVIEW THIS PROJECT AND THAT DESPITE THURMAN RECOMMENDATION, MKI HAS BEEN URGING SEMEN GRESIK TO SUBMIT REQUEST FOR PC UNDER MISTAKEN IMPRESSION THAT MKI MAY NOT, UNDER EXIM PROCEDURES, APPLY FOR P.C.

3. WE HAVE BEEN ADVISED THAT GOI MINISTRY OF FINANCE, HARVARD ADVISORY SERVICE ADVISOR HAS PREPARED ANALYSIS OF EXIM AND IBRD FINANCING AND HAS CONCLUDED ON BALANCE THEY ARE EQUIVALENT DESPITE VARIATIONS IN SPECIFIC ASPECTS. ACCORDING ENGINEER SUGENG, CHIEF BUREAU OF INDUSTRIES OF BAPPENAS WHO WORKS CLOSELY WITH BAPPENAS DEPUTY CHAIRMAN SALEH AFIFF, WHO RECENTLY MET WITH EXIM PRESIDENT CASEY, ONLY COMPETITION FOR MKI-KVS, IS DANISH FIRM F. L. SMIDTH SINCE KVS IS UNITED STATES REPRESENTATIVE FOR THE ONLY OTHER LIKELY COMPETITOR, POLATIUS OF FRG. THUS IF WORLD BANK FINANCING IS OPTED FOR THERE STILL SOME CHANCE UNITED STATES FIRMS MAY GET CONTRACT.

4. WE HAVE BEEN INFORMED BY SUGENG THAT GRESIK PRESIDENT SOTION IS VISITING WASHINGTON WITH TEAM FROM HIS COMPANY SECOND WEEK OF JUNE TO REVIEW IBRD FINANCING. SUGGEST THEREFORE THAT GEBER CONTACT IBRD TO ASCERTAIN SOTION WHEREABOUTS TO SUGGEST HE VISIT WITH APPROPRIATE EXIM OFFICIALS.

5. FOR SURABAYA: PLEASE CONTACT SOTION, CONFIRM ABOVE REPORT CONCERNING VISIT TO WASHINGTON, AND IF POSSIBLE DETERMINE HIS HOTEL RESERVATIONS, URGE HIM VISIT EXIM, AND REPORT RESULTS YOUR CONVERSATION TO GEBER, MEPD, EXIM, AND EMBASSY.

6. FOR MEPD: SUGGEST YOU CONTACT R. F. WESNER OF KVS, DANVILLE, PA. AND FRED HUBER MKI REP IN WASHINGTON AND URGE THAT THEY SEEK EXIM PC AND ALSO CONTACT SOTION AND OFFER ASSIST HIM IN ANY APPROPRIATE FASHION.

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7. FOR EXIM: THURMAN OF KVS HAS BEEN KEPT INFORMED EXIM'S POLICIES TOWARDS INDONESIA AS UNDERSTOOD BY EMBASSY AND THE PRESIDENT CASEY EXPECTED

VISIT HERE IN JULY. ACCORDING THURMAN, CHASE-MANHATTAN BANK IN NEW YORK HAS INDICATED TO GOI THAT IT IS WILLING TO PARTICIPATE IN PROJECT. SUGGEST THAT GEBER, MEPD AND EXIM MAY WISH CONTACT CHASE.

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**TAGS:** BEXP, BTRA, ID  
**To:** STATE COM  
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